

Thank you, Senator Dorgan and all of the Members of this subcommittee, for this invitation to testify today. I am John Marvin representing the Alliance for Retired Americans where I serve as a Regional Board member for the northeastern part of the nation. The Alliance, which was established on January 1 of this year, now has 2.6 million members across the nation. Retirees from affiliates of the AFL-CIO, community-based organizations and individual seniors have joined the Alliance to fight for social and economic justice and civil rights for all Americans. I am also representing the Maine Council of Senior Citizens.

I am here today because of my work in Maine and New England to organize bus trips to Canada so that seniors can buy prescription drugs at much lower prices than are available in the U.S.

In Maine, we are now organizing our 4<sup>th</sup> annual trip to Canada which is scheduled for September 19-20. On the first trip, I saved \$400 on a 12-month supply of 40 mg. Zocor. I now take EpiVirim HB 100 mg. instead. While the savings are not nearly as dramatic, I will still pay \$150 less in Canada than at my local pharmacy. That adds up to about a \$300 annual savings to me alone.

On our second trip, we hit the jackpot. We were well aware of the festering problems for seniors caused by the price of prescription drugs. But Mike Wallace and the *60 Minutes* television program which featured our trip two years ago escalated awareness of the seriousness of the problem by putting a human face on it. In the recent elections, it was the rare candidate indeed who did not pledge to do something about the problem even if little has been done.

This work organizing trips and advocating for programs to meet the prescription drug needs of seniors puts me in almost daily contact with people like Vi Quirion of Waterville, Maine. She retired from a shirt factory there and has a very modest retirement income—primarily from Social Security. Instead of paying \$1290 at her local pharmacy, she will pay \$660 in Canada for a 6-month supply of Prilosec and Relaten.

Another couple who will ride with us are Pauline and Leopold Nolette of Biddeford, Maine. Between the two of them, they have prescriptions for drugs like Anucil, Zocor and Celebrex. Their Canadian bill will be right around \$1162. Their local pharmacy in Biddeford would charge \$3,879 for the same drugs, an incredible savings of \$2,717.

And we will have on the bus at least one breast cancer patient who must take Tamoxifen. A year ago, a month's supply at her pharmacy in Augusta was \$115. The same quantity cost \$15 in St. Stephens, New Brunswick, an astounding 79% savings.

What infuriates Vi Quirion, the Nolettes, myself and all the others on the bus is that we are buying these drugs in Canada which are for the most part manufactured in the United States of America and shipped there.

Seniors are upset and we have a right to be. Fewer of us have access to retiree drug benefits and frequently our incomes exceed that which would qualify us for state low-income drug programs. We are asked to pay literally the highest price in the world for prescription drugs. It is even more insane when you realize that most people with substantial incomes in this country have prescription benefits from their employers. So seniors wind up paying even more for drugs than do the relatively well-to-do. Now that's wrong.

In Maine we grew impatient with federal inaction. We pushed the legislature into passing the Maine Rx program which will ultimately result in price controls applied to the products of the most profitable industry in this country. Is it unreasonable for U.S. citizens to think that we might pay about the same price for prescription drugs as our Canadian neighbors?

PhRMA, Pharmaceutical Research and Manufacturers of America (which badly underestimated the citizen power behind this Maine legislative initiative), chose to fight the law rather than to see if there is any truth to Professor Alan Sager's proposition that lower prices for prescription drugs will induce more volume in business so that profits should remain constant. However, it will be unlikely that this law—even with tremendous citizen support—will yield much help for consumers for several years.

Bus trips get a lot of publicity. We filled two buses in less than 48 hours this year. They highlight the problem. Laws providing for re-importation are interesting ideas. But neither solves the fundamental problem. To begin with, for every person making the trip there are others far worse-off physically who need the lower-priced medications even more, but they cannot physically board a bus. Ultimately, we want our local pharmacies to serve as they are intended—community sources of affordable drugs.

This hearing to review the cost of pharmaceuticals in this country in contrast with prices in Canada is right on point. The more information that hearings like this provide to the Congress and to the public, the closer we will come to agreement on what can and should be done. For the Alliance, and I think that I can speak for most seniors in Maine and across the northeastern part of this country, the reasons for these contrasts in price are clear.

Why are prices better in Canada? Well in part, Canadians have a national health care system and people of all ages obtain a more comprehensive system of health care beginning in childhood and continuing into their older years. Only about 10% of Canadian seniors do not have either public or private coverage for drugs while up to half of U.S. seniors lack coverage during some time of the year. Only about 4% of Canadian seniors pay more than \$100 in out-of-pocket costs for drugs per month while 20% of U.S. seniors do.

More important, Canadians pay less for drugs because their government bargains on their behalf with the pharmaceutical industry. Their drug prices are cheaper because the Canadian government believes, as should this government, that the role and impact of pharmaceuticals in people's lives are too important to leave to market forces. On behalf of the Canadian people, their government forces the pharmaceutical industry to bargain and to peg prices close to the average prices of pharmaceuticals in other industrial nations or face a denial of opportunities to market the drug in Canada. We should take the same direction on behalf of all U.S. citizens needing medications.

We are also forced to go to Canada to purchase lower cost drugs because of the lack of a pharmaceutical benefit within the Medicare program.

I, and the Alliance for Retired Americans, have some ideas on how to approach this issue and how the Congress could take positive steps. The Alliance for Retired Americans is calling for the enactment of a new Medicare defined pharmaceutical benefit using the \$300 billion reserved in the tax cut legislation for an affordable benefit. Congress should consider a change in Medicare by spending these funds over a shorter period of time than 10 years. By doing that, we can deepen the benefit and make it more affordable for average income persons in the Medicare program. But let's do it and stop debating-- that is what the seniors I know in Maine and across the country are saying.

To emphasize the contrast between Canadian and U.S. prescription drug prices, members of

the Alliance for Retired Americans will board buses later this month and travel to Canada from every State that borders our northern neighbor to have their prescriptions filled. We hope to show that seniors can save hundreds of thousands of dollars in just one week of short trips. But, we also want to demonstrate the absurdity of having U.S. Citizens go to Canada to get the savings. Your enactment of an affordable, comprehensive Medicare drug benefit will end these burdensome trips north and end this national embarrassment.

The major reason that prices are so high in the U.S. is that the pharmaceutical industry has a lock on the supply of needed drugs backed up by law and power. It controls the development process for new drugs both here and throughout the world. The laws of this nation then protect the market power of the industry by providing patent protection for almost two decades. To make sure this patent protection stays secure, together with public financing of the highest risks in the development process, the industry spends hundreds of millions of dollars to influence government at all levels. The result is the exploitative pricing policies that we are discussing here today.

The inaugural publication of the Alliance, *The Profit in Pills: A Primer on Prescription Drug Prices*, documents why prescription drugs prices have increased so dramatically and the various ways that the pharmaceutical industry protects its interests at the expense of the American public. Most affected are older persons and those with disabilities who take more medications than other segments of the population and are the mostly likely to pay full retail prices. I respectfully request that this report be included in the hearing record. I would also ask that you, Senator Dorgan, put it into the Congressional Record so that all of your colleagues may read it.

As I mentioned earlier, some states, like Maine, have become frustrated by the lack of action here in Washington. They are trying to take steps on behalf of their own citizens to curb prices. But, they are being fought all of the way by the industry in the courts and in the press. We support state action to push prices down but this is a national policy problem. Most states cannot take on a global industry that so vigorously holds on to its privileged economic position. The industry has spent millions of dollars lobbying against a Medicare drug benefit because they believe that such a benefit may cut into their profit margins and lead to greater public regulation of their industry.

Why is it that the Federal Government is so vigorous in bargaining with all parts of the health industry to set prices but not with the pharmaceutical industry? Why does the Department of Health and Human Services force hospitals and doctors and other health providers to take lower payments or

compete for government business but not force the same constraints on the prices we pay for out-patient pharmaceuticals? There is something wrong with the process and millions of citizens – older people and persons with disabilities – are paying the price for government's timidity. It's got to end.

In short, we don't have the luxury of time to wait while nothing happens. Thousands of us face continued deterioration of our health, loss of savings, increased burdens on our families, unnecessary institutionalizations, and, yes death, while the pharmaceutical industry seems to be able to stop Congress from acting. Please – listen to our plea.

I, for one, want to get out of the tour bus business.

Thank you.

John Marvin is the Northeast Regional Board Member for the Alliance for Retired Americans serving the States of CT, DE, MD/DC, ME, NH, NJ, NY, PA, PR, RI, VT, WV.

He was formerly the President of the Maine Council of Senior Citizens. He previously served as Senior Field Representative for the Service Employees International Union and was research director for the Maine State Employees Association. He also served as Executive Director the Maine Teachers Association. Mr. Marvin holds a EdD from Columbia University and is a proud beneficiary of the Medicare and Social Security programs.